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Chicago Gambled on Federal Stimulus and Will Now Use $500 million to Pay Off Short-Term Borrowing.

'This fits the spirit of the American Rescue Plan,' one analyst says, even as she finds the opacity troubling

Savvy cash management, or creative bookkeeping?

The city of Chicago recently announced plans to use funds from the federal American Rescue Plan stimulus to pay down about $500 million in short-term debt it took out in December. The step received scant attention until a public-finance expert published a blog post on the subject in August.

As Amanda Kass, associate director for the Chicago-based Government Finance Research Center, makes clear, the move isn't improper — but she thinks it isn't a prudent selection among possible steps, either. At best, Kass sees it as a financial Hail Mary that will probably work out for the city at the expense of transparency and public engagement.

Here's what happened. Last November, facing a near $800 million fiscal 2020 budget deficit, due mostly to the pandemic, city managers decided to take on $450 million in short-term debt, plus interest. City managers reached out to several banks and found JPMorgan Chase & Co. offered the best rate. The deal was finalized in December.

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MarketWatch

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